

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name New Buffalo Township Library	County Berrien
Fiscal Year End December 31, 2006	Opinion Date June 15, 2007	Date Audit Report Submitted to State June 26, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

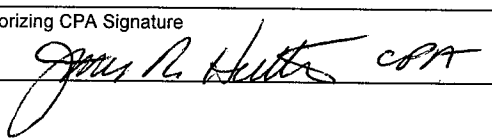
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Hutter & Associates, P.C.		Telephone Number (219) 874-6770		
Street Address 330 Commerce Square		City Michigan City	State IN	Zip 46360
Authorizing CPA Signature 		Printed Name James R. Hutter, CPA		License Number 8940

NEW BUFFALO TOWNSHIP LIBRARY
(A Component Unit of New Buffalo Township)

FINANCIAL REPORT
With Supplemental Information
December 31, 2006

HUTTER & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

	<u>Pages</u>
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)	3-5
BASIC FINANCIAL STATEMENTS:	
Governmental Funds Balance Sheet / Statement of Net Assets	6
Statement of Revenue, Expenditures and Changes in Fund Balances / Statement of Activities	7
Notes to Financial Statements	8-16
REQUIRED SUPPLEMENTAL INFORMATION:	
Combined Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual - General Funds	17

HUTTER & ASSOCIATES, P.C.

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INDEPENDENT AUDITORS' REPORT

Honorable Members of the
New Buffalo Township Library Board
New Buffalo Township
Berrien County, Michigan

We have audited the accompanying basic financial statements of the New Buffalo Township Library as of December 31, 2006 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of New Buffalo Township Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of New Buffalo Township Library as of December 31, 2006 and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplemental information listed in the financial section of the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of New Buffalo Township Library. This information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The management's discussion and analysis (MD&A) included in the financial section of the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of New Buffalo Township Library. We did not examine this data and, accordingly, do not express an opinion thereon.

Hutter & Associates, P.C.

June 15, 2007

NEW BUFFALO TOWNSHIP LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

December 31, 2006

Using this Annual Report

This annual report consists of three parts - Management's Discussion and Analysis (MD&A) (this section), the Basic Financial Statements, and Required Supplemental Information. The Basic Financial Statements includes information that presents two different views of the Library as follows:

- . The first two columns of the financial statements include information on the Library's General Fund and Capital Projects Fund under the modified accrual method. These fund financial statements focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- . The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.
- . The government-wide financial statement columns provide both long-term and short-term information about the Library's overall financial status. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of Required Supplemental Information that further explains and supports the information in the financial statements.

NEW BUFFALO TOWNSHIP LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), CONTINUED

December 31, 2006

Condensed Financial Information

The Library's net assets increased by \$77,132 during 2006, ending the year at \$886,399. The table below shows the composition of the Library's net assets at December 31, 2006 and 2005.

	December 31, 2006	2005	Increase (Decrease)
Assets:			
Current assets	\$579,857	\$514,002	\$65,855
Capital assets	<u>306,542</u>	<u>295,265</u>	<u>11,277</u>
Total assets	<u>\$886,399</u>	<u>\$809,267</u>	<u>\$77,132</u>
Liabilities:			
Current liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net assets:			
Investment in general capital assets	\$306,542	\$295,265	\$11,277
Designated for capital improvements	573,602	501,102	72,500
Unrestricted	<u>6,255</u>	<u>12,900</u>	<u>(6,645)</u>
Total net assets	<u>\$886,399</u>	<u>\$809,267</u>	<u>\$77,132</u>

The table below is a two year comparison of the revenue and expenditures of the Library. For the year ended December 31, 2006, revenue on the full accrual method of accounting exceeded expenses by \$77,132. For the year ended December 31, 2005, revenue exceeded expenses by \$63,652.

Revenue:			
Property taxes	\$196,403	\$185,541	\$10,862
Other	<u>105,459</u>	<u>91,793</u>	<u>13,666</u>
Total revenue	301,862	277,334	24,528
Expenditures	<u>224,730</u>	<u>213,682</u>	<u>11,048</u>
Change in net assets	<u>\$ 77,132</u>	<u>\$ 63,652</u>	<u>\$13,480</u>

NEW BUFFALO TOWNSHIP LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), CONCLUDED

December 31, 2006

The Library as a Whole

- . The Library's net assets increased this year.
- . The Library's primary source of revenue is from property taxes, which represents 65 percent of the total revenue as compared to 67 percent in the prior year.
- . Salaries and fringes continue to be a significant expense of the Library, representing 61 percent of the Library's total expenses. Salaries and fringes increased \$10,453 over the prior year.
- . Total income and expenses remained constant between the prior year and current year, even with the addition of depreciation expense, and the capitalization of capital outlays.

The Library's Funds

Our analysis of the Library's major funds is included on pages 6 and 7 in the first two columns of the respective statements, which are the General Fund and the Capital Projects Fund. The Library Board has the ability to create separate funds to help manage money for specific purposes. The Library Board has set up the Capital Projects Fund to raise money for future expansion and/or construction of a new library building.

The fund balance of the major funds increased during the current year by \$65,855. The increase was favorable compared to the final amended budget by \$13,060.

Capital Assets

At the end of the fiscal year, the Library had \$855,677 invested in land, building, furniture and equipment, and books and materials. The Library added \$30,742 in new collection items consisting of new books, various audio/visual materials, and enhancement of the music collection. The Library also purchased furniture and equipment amounting to \$28,072 during the year, which consisted of computers, phone equipment, shelving and other miscellaneous items. The total amount of furniture, equipment, and collection materials disposed of had a cost basis of \$11,473 and a net book value of \$-0-.

NEW BUFFALO TOWNSHIP LIBRARY
GOVERNMENTAL FUNDS BALANCE SHEET / STATEMENT OF NET ASSETS
as of December 31, 2006

	Governmental Funds Balance Sheet		
	Modified Accrual Basis		
	General	Capital	
	Fund	Projects	Total
	Fund	Fund	
Assets:			
Cash and cash equivalents	\$6,242	\$573,602	\$579,844
Refundable payroll taxes	13	-	13
Capital assets, net of depreciation	-	-	-
Total assets	<u>\$6,255</u>	<u>\$573,602</u>	<u>\$579,857</u>
Fund balances / net assets:			
Fund balances - unreserved:			
Designated for capital improvements	\$ -	\$573,602	\$573,602
Undesignated	<u>6,255</u>	<u>-</u>	<u>6,255</u>
Total fund balances	<u>\$6,255</u>	<u>\$573,602</u>	<u>\$579,857</u>
Net assets:			
Investment in capital assets			
Restricted for capital outlay			
Unrestricted			
Total net assets			

See accompanying notes to financial statements.

<u>GASB 34 Adjustments (Note 8)</u>	<u>Statement of Net Assets Full Accrual</u>
\$ -	\$579,844
-	13
<u>306,542</u>	<u>306,542</u>
<u>\$ 306,542</u>	<u>\$886,399</u>
 \$(573,602)	 \$ -
<u>(6,255)</u>	<u>-</u>
(579,857)	-
 306,542	 306,542
573,602	573,602
<u>6,255</u>	<u>6,255</u>
<u>\$ 306,542</u>	<u>\$886,399</u>

NEW BUFFALO TOWNSHIP LIBRARY

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES / STATEMENT OF ACTIVITIES

for the year ended December 31, 2006

	General Fund	Capital Projects Fund	Total
Revenue:			
Property taxes	\$196,403	\$ -	\$196,403
State aid	4,700	-	4,700
Penal fines	63,491	-	63,491
Interest on investments	3,523	22,330	25,853
Book sales	2,238	170	2,408
Library fines and fees	7,582	-	7,582
Other miscellaneous	1,425	-	1,425
Total revenue	<u>279,362</u>	<u>22,500</u>	<u>301,862</u>
Expenditures:			
Salaries and fringe benefits	136,171	-	136,171
Supplies	10,761	-	10,761
Library books and materials	30,742	-	30,742
Professional and contractual services	4,432	-	4,432
Conferences, workshops, and travel	2,315	-	2,315
Insurance and bonds	8,406	-	8,406
Utilities	7,745	-	7,745
Repairs and maintenance	14,769	-	14,769
Capital outlay	18,259	-	18,259
Depreciation	-	-	-
Miscellaneous	2,407	-	2,407
Total expenditures	<u>236,007</u>	<u>-</u>	<u>236,007</u>
Excess of revenue over expenditures / change in net assets	43,355	22,500	65,855
Operating transfers in (out)	(50,000)	50,000	-
Fund balances / net assets:			
Beginning of year	<u>12,900</u>	<u>501,102</u>	<u>514,002</u>
End of year	<u>\$ 6,255</u>	<u>\$573,602</u>	<u>\$579,857</u>

See accompanying notes to financial statements.

<u>GASB 34 Adjustments (Note 8)</u>	<u>Statement of Activities</u>
\$ -	\$196,403
-	4,700
-	63,491
-	25,853
-	2,408
-	7,582
-	<u>1,425</u>
-	<u>301,862</u>
-	136,171
-	10,761
(30,742)	-
-	4,432
-	2,315
-	8,406
-	7,745
(9,813)	4,956
(18,259)	-
47,537	47,537
-	<u>2,407</u>
<u>(11,277)</u>	<u>224,730</u>
11,277	77,132
-	-
<u>295,265</u>	<u>809,267</u>
<u>\$306,542</u>	<u>\$886,399</u>

NEW BUFFALO TOWNSHIP LIBRARY
NOTES TO FINANCIAL STATEMENTS

December 31, 2006

Note 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

The accounting policies of New Buffalo Township Library (the "Library") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies.

Effective January 1, 2004, the New Buffalo Township Library implemented the provisions of GASB Statement No. 34, Management's Discussion and Analysis (MD&A) - and Basic Financial Statements - for State and Local Governments. Significant changes in the Statement include the following:

- . A management's discussion and analysis (MD&A) section providing an analysis of the Library's overall financial position and results of operations.
- . Basic financial statements prepared using full accrual accounting for all of the Library's activities.
- . A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

REPORTING ENTITY:

The New Buffalo Township Library was established under P.A. 164 of 1877, as amended. The Library is governed by a Board elected by public ballot from the Township Electorate. The Library is primarily funded through a tax levy, fines and fees, and charitable donations. Revenue is used to operate and staff the Library.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in these financial statements.

NEW BUFFALO TOWNSHIP LIBRARY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2006

Note 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.

BASIS OF PRESENTATION:

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Government-Wide Financial Statements (i.e., the Statement of Net Assets and the Statement of Activities) and Fund Financial Statements. The government-wide and fund financial statements are combined, with a reconciliation shown between them.

The Governmental Funds Balance Sheet / Statement of Net Assets and Statement of Revenue, Expenditures and Changes in Fund Balances / Statement of Activities combines information about the reporting government as a whole and funds statements to report its financial position and the results of its operations.

The Operating Fund is the only major individual governmental fund. For fund financial statements, the accounts of the Library are organized on the basis of funds each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise each fund's assets, liabilities, fund balances, revenues and expenditures. The following is a description of the funds included in the accompanying basic financial statements.

Operating Fund - The Operating Fund accounts for revenues and expenditures of the Library not required to be accounted for in other funds.

Capital Projects Fund - The Capital Projects Fund accounts for the financial resources to be used for the acquisition of major capital expenditures.

NEW BUFFALO TOWNSHIP LIBRARY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2006

Note 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.

BASIS OF ACCOUNTING:

The government-wide statements (the Statement of Net Assets and the Statement of Activities) are prepared using the economic resources measurement focus and the accrual basis of accounting. Fund financial statements (the Governmental Funds Balance Sheet and Statement of Revenue, Expenditures and Changes in Fund Balances) are prepared using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

BUDGETS AND BUDGETARY ACCOUNTING:

The Library Board annually adopts a budget for each of its funds. The budget is adopted on the basis of accounting described above. Budgeted amounts are as originally adopted or amended by the Board.

CASH AND CASH EQUIVALENTS:

The Library has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

CAPITAL ASSETS:

Capital assets are defined by the Library as assets with an initial cost of more than \$600 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives.

Building	20-50 years
Furniture and equipment	5-10 years
Improvements	10-20 years
Library books and materials	3-10 years

NEW BUFFALO TOWNSHIP LIBRARY
NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2006

Note 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONCLUDED.

USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COMPENSATED ABSENCES (VACATION AND SICK LEAVE):

The Library does not allow employees to accumulate vacation time, but rather, will pay out any remaining time at the end of each year. The policy for sick pay is dependent on the employment contract set up for each position. Sick pay can be accumulated depending upon the position held. The Library's Employee Policies and Procedures Manual is the formal authority on vacation and sick pay. There is no liability for unpaid accumulated sick leave since the Library does not have a policy to pay any amounts when employees separate from service with the Library.

FUND EQUITY:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represents tentative management plans that are subjective to change.

NEW BUFFALO TOWNSHIP LIBRARY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2006

Note 2. DEPOSITS AND INVESTMENTS.

Deposits are carried at cost. The Governmental Funds Balance Sheet / Statement of Net Assets line item, "cash and cash equivalents" consists of cash on hand, cash, checking, savings, and certificates of deposit located at three Michigan banks, as follows:

Deposits	Cash on Hand	Financial Institution			Total
		Fifth Third Bank	New Buffalo Savings Bank	Horizon Bank	
Cash on hand	\$250	\$ -	\$ -	\$ -	\$ 250
Cash, checking	-	-	1,512	4,015	5,527
Savings	-	107,812	108,765	111,931	328,508
Certificates of deposit	-	-	45,275	200,284	245,559
	<u>\$250</u>	<u>\$107,812</u>	<u>\$155,552</u>	<u>\$316,230</u>	<u>\$579,844</u>

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Library's cash deposits is as follows:

	Insured	Uninsured	Total
Fifth Third Bank	\$100,000	\$ 7,812	\$107,812
New Buffalo Savings Bank	103,145	52,407	155,552
Horizon Bank	104,359	211,871	316,230
	<u>\$307,504</u>	<u>\$272,090</u>	<u>\$579,594</u>

NEW BUFFALO TOWNSHIP LIBRARY
NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2006

Note 3. GENERAL FIXED ASSETS.

A summary of changes in general fixed assets is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Assets not being depreciated:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Other capital assets:				
Building and improvements	208,814	9,813	-	218,627
Furniture and equipment	168,990	18,259	11,473	175,776
Library books and materials	<u>425,532</u>	<u>30,742</u>	<u>-</u>	<u>456,274</u>
Total	808,336	58,814	11,473	855,677
Less, accumulated depreciation	<u>513,071</u>	<u>47,537</u>	<u>11,473</u>	<u>549,135</u>
Net book value	<u>\$295,265</u>	<u>\$11,277</u>	<u>\$ -</u>	<u>\$306,542</u>

Note 4. CONCENTRATIONS OF CREDIT RISK.

Financial instruments that potentially subject New Buffalo Township Library to concentrations of credit risk consist principally of temporary cash investments that exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC).

New Buffalo Township Library maintains its cash balances and interest-bearing deposits in three financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 in the aggregate for all time and savings deposits; and up to \$100,000 in the aggregate for all demand deposits. The General Fund and Building Fund have separate insurance amounts.

NEW BUFFALO TOWNSHIP LIBRARY
NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2006

Note 5. COMMITMENTS AND CONTINGENCIES.

The New Buffalo Township Library receives a substantial amount of its support from local property tax revenues and state revenue-sharing and grants. A significant reduction in the level of this support, if this were to occur, may have an effect on the Library's operations.

Note 6. PENSION PLAN.

During 1997, the Library implemented a SIMPLE IRA pension plan for all eligible employees. Employees are eligible to participate in the plan if they received at least \$5,000 in compensation during the previous two years. Employees may defer up to \$10,000 of their gross salary into the plan. The Library will match the contribution up to 3% of the employee's salary. The Library's contribution to the plan for the year ended December 31, 2006 was \$1,789.

Note 7. RISK MANAGEMENT.

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Library has purchased commercial insurance for general liability and workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NEW BUFFALO TOWNSHIP LIBRARY
NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2006

Note 8. ADJUSTMENTS.

Amounts reported in the Statement of Net Assets are different from the Governmental Funds Balance Sheet due to the following adjustment:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:

Net capital assets	<u>\$306,542</u>
--------------------	------------------

Amounts reported for governmental activities on the Statement of Activities are different from the Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balances as follows:

Governmental funds report capital outlays as expenditures. However, on the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year:

Capital outlay	\$58,814
Depreciation	<u>(47,537)</u>
Net adjustment	<u>\$11,277</u>

NEW BUFFALO TOWNSHIP LIBRARY
NOTES TO FINANCIAL STATEMENTS, CONCLUDED

December 31, 2006

Note 9. SUBSEQUENT EVENT.

On February 20, 2007, the Library purchased the adjacent land and building at 23 N. Thompson Avenue from Ezra Scott Realty, L.L.C. for \$565,000. The Library used \$564,289 of the available cash of the Capital Projects Fund to purchase this property.

At the time of the purchase, the tenant occupying this commercial property had a lease to occupy through December 31, 2010. The Library assumed the lease contract and will collect the lease payments to full term of the contract. The lease payments are currently \$1,310 per month and are adjusted annually for increases in taxes and insurance. The tenant is responsible for fire and liability insurance, utilities, and minor repairs.

Included with the property purchase is a parking easement that is shared by other businesses that will expire on December 10, 2013. Details on this entire property purchase are available on the Buy/Sell Agreement dated January 20, 2007.

REQUIRED SUPPLEMENTAL INFORMATION

NEW BUFFALO TOWNSHIP LIBRARY

COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUNDS

for the year ended December 31, 2006

	Originally Adopted Budget	Final Amended Budget	Actual Balances	Variance Favorable (Unfavorable)
Revenue:				
Property taxes	\$196,952	\$196,963	\$196,403	\$ (560)
State aid	5,650	4,700	4,700	-
Penal fines	59,000	63,491	63,491	-
Interest on investments	24,300	25,530	25,853	323
Book sales	1,500	1,800	2,408	608
Library fines and fees	7,000	7,225	7,582	357
Other miscellaneous	500	1,418	1,425	7
Total revenue	<u>294,902</u>	<u>301,127</u>	<u>301,862</u>	<u>735</u>
Expenditures:				
Salaries and fringe benefits	133,000	141,000	136,171	4,829
Supplies	10,400	10,400	10,761	(361)
Library books and materials	33,900	33,900	30,742	3,158
Professional and contractual services	6,700	6,700	4,432	2,268
Conferences, workshops, and travel	5,200	2,900	2,315	585
Insurance and bonds	8,600	8,406	8,406	-
Utilities	6,100	6,100	7,745	(1,645)
Repairs and maintenance	6,000	16,000	14,769	1,231
Capital outlay	15,000	19,000	18,259	741
Miscellaneous	3,800	3,926	2,407	1,519
Total expenditures	<u>228,700</u>	<u>248,332</u>	<u>236,007</u>	<u>12,325</u>
Excess of revenue over expenditures	66,202	52,795	65,855	13,060
Fund balances, beginning of year	<u>514,002</u>	<u>514,002</u>	<u>514,002</u>	<u>-</u>
Fund balances, end of year	<u>\$580,204</u>	<u>\$566,797</u>	<u>\$579,857</u>	<u>\$13,060</u>

HUTTER & ASSOCIATES, P.C.

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JAMES R. HUTTER, CPA

MATTHEW E. HOLLANDER, CPA

June 15, 2007

To the Board of Directors
New Buffalo Township Library
New Buffalo, Michigan 49117

In planning and performing our audit of the financial statements of the New Buffalo Township Library for the year ended December 31, 2006, we considered the Library's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. The consideration we gave to the internal control structure was not sufficient for us to provide any form of assurance on it. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions are significant deficiencies in the design or operation of the internal control structure that have come to our attention and, in our judgment, could adversely affect the Library's ability to record, process, summarize, and report financial data consistent with management's assertions inherent in the financial statements. This report contains items considered to be reportable conditions, as defined above, as well as other items we feel warrant your consideration.

CHART OF ACCOUNTS

Currently the Library is not using the Uniform Chart of Accounts issued by the Department of Treasury. Although the accounts being used are adequate, the Library should consider adopting the Uniform Chart of Accounts.

LIBRARY COLLECTIONS

The Library should devise a plan to track and maintain listings of the current holdings of collections (books, audio books, videos, and other media). It was noted that the Library was undergoing a software upgrade to accurately inventory these various items, which should alleviate this issue in the future. It is important to remember that donated collection items should be added to this listing, and also recorded as donation revenue.

We thank the Library staff for providing us with all of the information and assistance necessary to complete this year's audit.

This report is intended solely for the information and use of the Board of Directors and management of the New Buffalo Township Library. If we can be of any assistance in implementing these suggestions or if you have any questions regarding these or any other matters, please feel free to contact us.

Very truly yours,

Hutter & Associates, P.C.

Hutter & Associates, P.C.

Certified Public Accountants